



**City of  
Matlosana**  
City of Matlosana

Annual Financial Statements  
for the year ended 30 June 2012

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **General Information**

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<b>Legal form of entity</b>	Municipality
<b>Mayoral committee</b>	
Executive Mayor	M.K. Khauoe ( Chairperson )
Councillors	M.M.S. Lee G.R. Kgosi M.E. Mthimkulu L.V. Rothmans G.C. Mbobo M.L. Mothibedi M.E. Kgaile R.A. Matsepe N.S. Mendela P.R. Pooe
<b>Accounting Officer</b>	E.T. Motsemme
<b>Chief Finance Officer (CFO)</b>	M. K. Kgauwe
<b>Registered office</b>	Bram Fischer Street Klerksdorp 2571
<b>Business address</b>	Bram Fischer Street Klerksdorp 2571
<b>Postal address</b>	P.O. Box 99 Klerksdorp 2570
<b>Bankers</b>	ABSA Bank Ltd
<b>Auditors</b>	Auditor General

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### **Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MMC	Member of the Mayoral Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements is still subject to audit.

The annual financial statements set out on pages 5 to 50, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:

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**Accounting Officer  
E.T. Motsemme**

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Statement of Financial Position**

Figures in Rand	Note(s)	2012	2011
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	6	38 711 608	44 664 689
Receivables from exchange transactions	7	3 480 996	9 622 849
Consumer debtors	8	64 692 676	60 568 262
Other receivables	5	21 332	17 603
Cash and cash equivalents	9	65 040 858	22 540 456
		<b>171 947 470</b>	<b>137 413 859</b>
<b>Non-Current Assets</b>			
Investment property	2	134 833 400	134 833 400
Property, plant and equipment	3	2 221 234 759	2 256 367 451
Other financial assets	4	21 623 223	18 835 388
Other receivables	5	231 914	256 153
		<b>2 377 923 296</b>	<b>2 410 292 392</b>
<b>Total Assets</b>		<b>2 549 870 766</b>	<b>2 547 706 251</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	11	18 811 198	16 370 619
Payables from exchange transactions	14	280 557 917	256 644 984
VAT payable	15	52 749 080	30 045 576
Unspent conditional grants and receipts	12	76 044 287	15 220 774
Provisions	13	310 054 718	299 544 623
Consumer deposits		23 312 820	21 506 788
		<b>761 530 020</b>	<b>639 333 364</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	11	128 239 941	147 569 522
<b>Total Liabilities</b>		<b>889 769 961</b>	<b>786 902 886</b>
<b>Net Assets</b>		<b>1 660 100 805</b>	<b>1 760 803 365</b>
<b>Net Assets</b>			
Reserves			
Housing development fund		5 125 928	5 125 928
Accumulated surplus		1 654 974 877	1 755 677 437
<b>Total Net Assets</b>		<b>1 660 100 805</b>	<b>1 760 803 365</b>

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Statement of Financial Performance**

Figures in Rand	Note(s)	2012	2011
Revenue	17	1 217 191 171	1 146 875 623
Other income		103 000 692	213 838 727
Operating expenses		(1 447 241 083)	(1 602 171 985)
<b>Operating deficit</b>		<b>(127 049 220)</b>	<b>(241 457 635)</b>
Investment revenue	25	42 848 631	58 725 094
Finance costs	27	(19 402 163)	(19 460 557)
<b>Deficit for the year</b>		<b>(103 602 752)</b>	<b>(202 193 098)</b>

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Statement of Changes in Net Assets**

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
<b>Balance at 01 July 2010</b>	<b>5 125 928</b>	<b>1 890 181 535</b>	<b>1 895 307 463</b>
Changes in net assets			
Investment properties previously excluded (prior year adjustment)	-	67 689 000	67 689 000
Net income (losses) recognised directly in net assets	-	67 689 000	67 689 000
Deficit for the year (includes prior year impairment adjustment)	-	(202 193 098)	(202 193 098)
Total recognised income and expenses for the year	-	(134 504 098)	(134 504 098)
Total changes	-	(134 504 098)	(134 504 098)
<b>Balance at 01 July 2011</b>	<b>5 125 928</b>	<b>1 758 577 629</b>	<b>1 763 703 557</b>
Changes in net assets			
Deficit for the year	-	(103 602 752)	(103 602 752)
Total changes	-	(103 602 752)	(103 602 752)
<b>Balance at 30 June 2012</b>	<b>5 125 928</b>	<b>1 654 974 877</b>	<b>1 660 100 805</b>

Note(s)

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Cash Flow Statement**

Figures in Rand	Note(s)	2012	2011
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		731 965 652	991 386 292
Grants		352 580 997	347 708 049
Interest income		42 848 631	58 725 094
Other receipts		103 000 692	275 299 276
		1 230 395 972	1 673 118 711
<b>Payments</b>			
Employee costs		(410 327 948)	(368 762 243)
Suppliers		(626 727 159)	(1 109 844 785)
Finance costs		(19 402 163)	(19 460 557)
		(1 056 457 270)	(1 498 067 585)
<b>Net cash flows from operating activities</b>	<b>31</b>	<b>173 938 702</b>	<b>175 051 126</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(113 588 005)	(215 785 835)
Purchase of financial assets		-	(1 418 084)
Proceeds from sale of financial assets		(2 787 835)	-
Proceeds from sale of other receivables		20 510	19 706
<b>Net cash flows from investing activities</b>		<b>(116 355 330)</b>	<b>(217 184 213)</b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		(16 889 002)	19 497 557
Movement in consumer deposits		1 806 032	853 394
<b>Net cash flows from financing activities</b>		<b>(15 082 970)</b>	<b>20 350 951</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>42 500 402</b>	<b>(21 782 136)</b>
Cash and cash equivalents at the beginning of the year		22 540 456	44 322 592
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>65 040 858</b>	<b>22 540 456</b>

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant policy.

#### **1.2 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### **Fair value**

Subsequent to initial measurement investment property is measured at fair value at reporting date.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.2 Investment property (continued)**

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

### **1.3 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.3 Property, plant and equipment (continued)**

The useful lives of items of property, plant and equipment have been assessed as follows:

<b>Item</b>	<b>Average useful life</b>
Furniture and fixtures	7 - 10 years
Infrastructure	
• Roads and paving	10 to 30 years
• Electricity	20 to 30 years
• Wastewater network	15 to 20 years
• Water network	15 to 20 years
Other vehicles	3 to 20 years
Other equipment	5 to 10 years
Specialised plant and machinery	5 to 15 years
Other property, plant and equipment	3 to 15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### **1.4 Financial instruments**

#### **Classification**

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

#### **Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.4 Financial instruments (continued)**

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### **Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### **Fair value determination**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### **Impairment of financial assets**

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.4 Financial instruments (continued)**

#### **Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### **Payables from exchange transactions**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### **Gains and losses**

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### **Derecognition**

#### **Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.4 Financial instruments (continued)**

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

#### **Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

### **1.5 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. The lease assets are depreciated at appropriate rates as per the relevant policy.

Any contingent rents are expensed in the period in which they are incurred.

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the expense to the municipality.

### **1.6 Inventories**

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.6 Inventories (continued)**

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.7 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### **Other post retirement obligations**

The entity provides post-retirement health care benefit to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

### **1.8 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.8 Provisions and contingencies (continued)**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Leave and bonus accruals :

- liabilities for annual leave and bonus are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end for the leave accrual and the bonus accrual based on the initial inception of the service month.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

### **1.9 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.9 Revenue from exchange transactions (continued)**

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### **Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### **1.10 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Rates, including collection charges and penalties interest**

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### **Fines**

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.10 Revenue from non-exchange transactions (continued)**

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### **Levies**

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

#### **Government grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### **Other grants and donations**

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.11 Turnover**

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### **1.12 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.13 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.3. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.14 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.15 Unauthorised expenditure**

Unauthorised expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the MFMA and includes :

- overspending of the total amount appropriated in the approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the act.

### **1.16 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.16 Fruitless and wasteful expenditure (continued)**

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.17 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### **1.18 Use of estimates**

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### **1.19 Presentation of currency**

These annual financial statements are presented in South African Rand.

### **1.20 Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.21 Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### **1.22 Gratuities**

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

### **1.23 Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### **Investments in derivative financial instruments**

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

### **1.24 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.25 Segmental information**

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### **1.26 Retirement benefits**

Councillors and employees as well as Council contribute to the following pension and provident funds, which provide retirement benefits to such Councillors and employees :

- Municipal Employees Gratuity Fund
- Pension Fund for Municipal Councillors
- National Fund for Municipal Workers
- SALA Pension Fund
- SAMWU Provident Fund
- Municipal Employees Pension Fund

Council does not operate or are not involved in a guaranteed benefit pension scheme. The above schemes are only based on guaranteed contributions from the side of the employer.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.27 Going concern**

These annual financial statements have been prepared on a going concern basis.

### **1.28 Comparative information**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand

2012                    2011

### **2. Investment property**

	2012		2011	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Investment property	134 833 400	-	134 833 400	134 833 400

#### **Reconciliation of investment property - 2012**

	Opening balance	Total
Investment property	134 833 400	134 833 400

#### **Reconciliation of investment property - 2011**

	Opening balance	Total
Investment property	134 833 400	134 833 400

The opening balance of investment property was restated to include items that were previously not accounted for amounting to R 67 689 000.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### **3. Property, plant and equipment**

	2012		2011	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Buildings	300 298 749	(43 117 213)	257 181 536	290 692 881
Infrastructure	2 510 530 671	(710 360 169)	1 800 170 502	2 413 179 784
Community	106 025 136	(34 429 151)	71 595 985	99 655 224
Heritage	1 699 376	(84 725)	1 614 651	1 691 809
Other property, plant and equipment	312 537 112	(221 865 027)	90 672 085	303 298 343
<b>Total</b>	<b>3 231 091 044</b>	<b>(1 009 856 285)</b>	<b>2 221 234 759</b>	<b>3 108 518 041</b>
				<b>(852 150 590)</b>
				<b>2 256 367 451</b>

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand

### **3. Property, plant and equipment (continued)**

#### **Reconciliation of property, plant and equipment - 2012**

	Opening balance	Additions	Work in progress	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Buildings	252 298 626	436 830	184 038	-	-	8 985 000	(4 722 958)	257 181 536
Infrastructure	1 833 564 193	56 301 017	41 049 871	-	-	-	(130 744 579)	1 800 170 502
Community	68 162 749	4 227 761	2 142 152	-	-	-	(2 936 677)	71 595 985
Heritage	1 607 084	7 567	-	-	-	-	-	1 614 651
Other property, plant and equipment	100 734 799	8 487 505	751 264	-	-	-	(19 301 483)	90 672 085
	<b>2 256 367 451</b>	<b>69 460 680</b>	<b>44 127 325</b>	<b>-</b>	<b>-</b>	<b>8 985 000</b>	<b>(157 705 697)</b>	<b>2 221 234 759</b>

#### **Reconciliation of property, plant and equipment - 2011**

	Opening balance	Additions	Work in progress	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Buildings	149 680 717	10 857 428	751 344	(5 021 636)	143 084 122	(42 677 670)	(4 375 679)	252 298 626
Infrastructure	2 079 009 201	94 435 344	64 223 972	(55 900 053)	-	(199 603 725)	(148 600 546)	1 833 564 193
Community	55 886 945	10 921 483	7 619 079	(3 576 576)	-	-	(2 688 182)	68 162 749
Heritage	1 485 811	121 273	-	-	-	-	-	1 607 084
Other property, plant and equipment	94 429 917	26 700 540	155 372	(917 660)	-	-	(19 633 370)	100 734 799
	<b>2 380 492 591</b>	<b>143 036 068</b>	<b>72 749 767</b>	<b>(65 415 925)</b>	<b>143 084 122</b>	<b>(242 281 395)</b>	<b>(175 297 777)</b>	<b>2 256 367 451</b>

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand

2012                    2011

### **4. Other financial assets**

<b>Held to maturity</b>		
Other financial assets	21 623 223	18 835 388
<b>Non-current assets</b>		
Held to maturity	21 623 223	18 835 388

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2012 and 2011, as all the financial assets were disposed of at their redemption date.

### **List of investments held**

Sanlam : Capital guaranteed fund - 040644725X0	5 764 535	5 458 953
Sanlam : Capital guaranteed fund - 040710409X0	386 078	365 721
Nedcor : FK183349	15 472 610	13 010 715
	<b>21 623 223</b>	<b>18 835 389</b>

The Nedcor investment is encumbered by a pledge of R 3 700 000 as disclosed in note 12.

### **5. Other receivables**

An existing loan to the Klerksdorp Rolbalklub is being repaid with an interest rate of 5% applicable. The MFMA stopped the practice of giving loans to sport bodies.

### **Loan to Klerksdorp Rolbalklub**

Short term portion of loan	21 332	17 603
Long term portion of loan	231 914	256 153
	<b>253 246</b>	<b>273 756</b>

### **6. Inventories**

Consumable stores	33 840 802	38 927 163
Water	1 372 538	1 747 366
Nature reserve - wildlife stock	2 670 674	3 186 803
Museum stores - at authorised value	179 823	155 586
Unsold properties held for resale at council resolution or municipal valuation	647 771	647 771
	<b>38 711 608</b>	<b>44 664 689</b>

### **7. Receivables from exchange transactions**

Deposits	732 003	729 403
Receivables	1 020 777	3 770 395
Market	388 548	927 925
Housing	11 000 000	11 000 000
Housing and housing rentals	1 123 559	1 410 048
Sundry debtors	45 021 786	45 570 073
Less : Provision for bad debts	(55 805 677)	(53 784 995)
	<b>3 480 996</b>	<b>9 622 849</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand

2012 2011

### 8. Consumer debtors

<b>Gross balances</b>		
Rates	94 158 120	86 127 829
Electricity	130 096 127	91 384 677
Water	202 999 999	162 735 359
Sewerage	56 822 215	50 106 732
Refuse	57 849 197	48 320 451
Other	241 560 793	212 166 881
	<b>783 486 451</b>	<b>650 841 929</b>
<b>Less: Provision for debt impairment</b>		
Rates	(86 603 453)	(78 156 555)
Electricity	(119 658 016)	(81 120 834)
Water	(186 712 531)	(147 673 931)
Sewerage	(52 263 151)	(45 469 271)
Refuse	(53 207 734)	(43 848 313)
Other	(220 348 890)	(194 004 763)
	<b>(718 793 775)</b>	<b>(590 273 667)</b>
<b>Net balance</b>		
Rates	7 554 667	7 971 274
Electricity	10 438 111	10 263 843
Water	16 287 468	15 061 428
Sewerage	4 559 064	4 637 461
Refuse	4 641 463	4 472 138
Other	21 211 903	18 162 118
	<b>64 692 676</b>	<b>60 568 262</b>
<b>Rates</b>		
Current (0 -30 days)	11 995 755	13 561 089
31 - 60 days	3 307 639	3 924 034
61 - 90 days	2 341 493	3 695 409
91+ days	76 513 233	64 947 297
Provision for bad debts	(86 603 453)	(78 156 555)
	<b>7 554 667</b>	<b>7 971 274</b>
<b>Electricity</b>		
Current (0 -30 days)	31 822 529	26 979 662
31 - 60 days	4 330 817	3 872 539
61 - 90 days	5 305 900	5 006 186
91 + days	88 636 881	55 526 290
Provision for bad debts	(119 658 016)	(81 120 834)
	<b>10 438 111</b>	<b>10 263 843</b>
<b>Water</b>		
Current (0 -30 days)	16 735 926	20 514 230
31 - 60 days	7 323 925	5 910 722
61 - 90 days	7 204 431	6 559 816
91 + days	171 735 717	129 750 591
Provision for bad debts	(186 712 531)	(147 673 931)
	<b>16 287 468</b>	<b>15 061 428</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>8. Consumer debtors (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	4 373 561	4 289 410
31 - 60 days	1 755 618	1 870 732
61 - 90 days	1 419 467	1 581 283
91 + days	49 273 569	42 365 307
Provision for bad debts	(52 263 151)	(45 469 271)
	<b>4 559 064</b>	<b>4 637 461</b>
<b>Refuse</b>		
Current (0 -30 days)	3 472 148	3 277 994
31 - 60 days	1 674 782	1 650 126
61 - 90 days	1 485 508	1 365 006
91 + days	51 216 759	42 027 325
Provision for bad debts	(53 207 734)	(43 848 313)
	<b>4 641 463</b>	<b>4 472 138</b>
<b>Other</b>		
Current (0 -30 days)	12 337 324	12 014 134
31 - 60 days	5 820 562	5 939 321
61 - 90 days	4 652 159	7 879 378
91 + days	218 750 748	186 334 048
Provision for bad debts	(220 348 890)	(194 004 763)
	<b>21 211 903</b>	<b>18 162 118</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	63 089 014	55 818 086
31 - 60 days	19 599 161	20 130 453
61 - 90 days	19 127 807	22 303 667
91 + days	600 343 924	469 088 101
	<b>702 159 906</b>	<b>567 340 307</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	12 479 101	10 792 642
31 - 60 days	3 036 337	2 425 082
61 - 90 days	3 016 478	2 482 603
91 + days	54 013 106	41 541 151
	<b>72 545 022</b>	<b>57 241 478</b>
<b>National and provincial government</b>		
Current (0 -30 days)	3 472 748	12 035 551
31 - 60 days	1 795 075	611 940
61 - 90 days	531 725	1 300 810
91 + days	15 016 145	10 327 599
	<b>20 815 693</b>	<b>24 275 900</b>

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

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### **8. Consumer debtors (continued)**

#### **Total**

Current (0 -30 days)	79 040 863	78 646 280
31 - 60 days	24 430 573	23 167 476
61 - 90 days	22 676 009	26 087 082
91 + days	657 339 007	522 941 091
	783 486 452	650 841 929
Less: Provision for debt impairment	(718 793 776)	(590 273 667)
	<b>64 692 676</b>	<b>60 568 262</b>

#### **Less: Provision for debt impairment**

Balance at the beginning of the year	(590 273 667)	(689 957 742)
Contribution to provision	(128 577 060)	(340 805 454)
Debt impairment written off against provision	56 952	440 489 529
	<b>(718 793 775)</b>	<b>(590 273 667)</b>

The carrying value of consumer debtors approximate fair value.

### **9. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	66 500	63 500
Bank balances	15 387 254	283 826
Short-term deposits	49 587 104	22 193 130
	<b>65 040 858</b>	<b>22 540 456</b>

### **The municipality had the following bank accounts**

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA Bank - cheque account - 4060008684	4 460 443	-	1 273 492	3 134 799	-	391 292
ABSA Bank - cheque account - 01000100176	4 626 409	2 863 230	(4 673 377)	11 977 034	739 249	(29 922 418)
ABSA Bank - cheque account - 950164379 (Council water)	179 314	326 744	2 011 587	66 398	109 901	1 942 496
ABSA Bank - cheque account - 950000090 (Market)	1 663 573	1 663 573	847 156	92 062	(686 197)	(1 454 043)
ABSA Bank - call account - 4071085841 (Housing)	116 961	120 871	123 740	116 961	120 871	123 740
<b>Total</b>	<b>11 046 700</b>	<b>4 974 418</b>	<b>(417 402)</b>	<b>15 387 254</b>	<b>283 824</b>	<b>(28 918 933)</b>

### **10. Housing development fund**

Unappropriate surplus	5 125 928	5 125 928
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### **The housing development fund is represented by the following assets and liabilities :**

Bank and cash	5 125 928	5 125 928
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### **11. Other financial liabilities**

Held at amortised cost		
Annuity loans	147 051 139	163 940 141

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

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### **11. Other financial liabilities (continued)**

Refer to appendix A for more detail on long-term liabilities.

#### **Non-current liabilities**

At amortised cost

128 239 941 147 569 522

#### **Current liabilities**

At amortised cost

18 811 198 16 370 619

**147 051 139 163 940 141**

An amount of R 3 700 000, covered by the Nedcor Investment FK183349, was pledged as security for loan NW1374/2 at DBSA.

### **12. Unspent conditional grants and receipts**

**Unspent conditional grants and receipts comprises of:**

#### **Unspent conditional grants and receipts**

MIG	61 174 063	10 710 431
National Electricity Regulator	8 806 412	345 490
FMG	385 808	974 052
DWAF	276 464	276 464
MSIG	571 047	262 344
EPWP	3 690 288	1 955 700
Fire Grant	500 594	105 688
Library grant	639 611	590 605
	<b>76 044 287</b>	<b>15 220 774</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 20 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand

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### **13. Provisions**

#### **Reconciliation of provisions - 2012**

	Opening Balance	Additions	Total
Environmental rehabilitation	30 126 524	2 731 575	32 858 099
Continious medical aid contribution	125 269 449	6 424 376	131 693 825
Section 57 managers bonusses	820 605	-	820 605
Long service awards	143 328 045	1 354 144	144 682 189
	<b>299 544 623</b>	<b>10 510 095</b>	<b>310 054 718</b>

#### **Reconciliation of provisions - 2011**

	Opening Balance	Additions	Total
Environmental rehabilitation	27 401 597	2 724 927	30 126 524
Continious medical aid contribution	96 430 272	28 839 177	125 269 449
Section 57 managers bonusses	791 326	29 279	820 605
Long service awards	129 008 375	14 319 670	143 328 045
	<b>253 631 570</b>	<b>45 913 053</b>	<b>299 544 623</b>

### **14. Payables from exchange transactions**

Trade payables	88 478 176	59 440 984
Payments received in advanced	39 292 860	66 699 469
Accrued leave pay	43 261 509	38 407 086
Sundry creditors	109 408 411	91 976 573
Housing : Absa bank account	116 961	120 872
	<b>280 557 917</b>	<b>256 644 984</b>

### **15. VAT payable**

Tax refunds payables	52 749 080	30 045 576
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### **16. Consumer deposits**

Electricity and water	23 312 820	21 506 788
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#### **Gaurentees held :**

In lieu of debtors for the Fresh Produce Market	400 000	400 000
In lieu of electricity and water deposits	1 926 198	1 926 198
	<b>2 326 198</b>	<b>2 326 198</b>

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

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### **17. Revenue**

Rendering of services	4 839	48 351
Property rates	183 246 897	181 286 149
Service charges	645 295 263	582 695 319
Levies	2 505 993	2 269 838
Rental of facilities & equipment	8 536 746	5 649 498
Fines	6 557 462	8 387 312
Licences and permits	4 495 881	3 823 203
Government grants & subsidies	352 580 997	350 041 177
Market dues	13 934 507	12 276 215
Miscellaneous other revenue	32 586	398 561
	<b>1 217 191 171</b>	<b>1 146 875 623</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Rendering of services	4 839	48 351
Service charges	645 295 263	582 695 319
Rental of facilities & equipment	8 536 746	5 649 498
Licences and permits	4 495 881	3 823 203
Miscellaneous other revenue	32 586	398 561
	<b>658 365 315</b>	<b>592 614 932</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

<b>Taxation revenue</b>		
Property rates	183 246 897	181 286 149
Fines	6 557 462	8 387 312
<b>Transfer revenue</b>		
Government grants & subsidies	352 580 997	350 041 177
Levies	2 505 993	2 269 838
Market dues	13 934 507	12 276 215
	<b>558 825 856</b>	<b>554 260 691</b>

### **18. Property rates**

#### **Rates received**

Residential	159 596 703	157 865 220
State	10 706 617	11 331 246
Indigent	12 905 522	12 051 628
Sundry debtors	38 055	38 055
	<b>183 246 897</b>	<b>181 286 149</b>

#### **Valuations**

Residential	29 399 639	29 399 639
State	481 872	481 872
Municipal and farms	1 262 138	1 262 138
Agricultural	182 908	182 908
	<b>31 326 557</b>	<b>31 326 557</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. The valuations were done by DDP Valuers on behalf of the Municipality.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand	2012	2011
<b>19. Service charges</b>		
Sale of electricity	438 708 631	390 520 615
Sale of water	160 917 924	150 065 275
Sewerage and sanitation charges	1 676 639	2 206 509
Refuse removal	43 992 069	39 902 920
	<b>645 295 263</b>	<b>582 695 319</b>

## **20. Government grants and subsidies**

Equitable share	298 960 000	283 801 049
MIG	49 887 290	57 847 983
NERSA	258 078	3 493 561
FMG	1 838 244	853 621
MSIG	481 297	1 033 136
Fire grant	805 094	2 580 312
Library grant	350 994	431 515
	<b>352 580 997</b>	<b>350 041 177</b>

### **Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 240 (2011: R 179), which is funded from the grant.

### **MIG**

Balance unspent at beginning of year	10 710 431	8 106 413
Current-year receipts	100 609 000	60 452 000
Conditions met - transferred to revenue	(50 145 368)	(57 847 982)
	<b>61 174 063</b>	<b>10 710 431</b>

Conditions still to be met - remain liabilities (see note 12)

### **NERSA**

Balance unspent at beginning of year	345 490	3 839 051
Current-year receipts	8 719 000	-
Conditions met - transferred to revenue	(258 078)	(3 493 561)
	<b>8 806 412</b>	<b>345 490</b>

Conditions still to be met - remain liabilities (see note 12)

### **FMG**

Balance unspent at beginning of year	974 052	827 673
Current-year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	(1 838 244)	(853 621)
	<b>385 808</b>	<b>974 052</b>

Conditions still to be met - remain liabilities (see note 12)

### **DWAF**

Balance unspent at beginning of year	276 464	276 464
Conditions still to be met - remain liabilities (see note 12)		

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

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### **20. Government grants and subsidies (continued)**

#### **MSIG**

Balance unspent at beginning of year	262 344	545 480
Current-year receipts	790 000	750 000
Conditions met - transferred to revenue	(481 297)	(1 033 136)
	<b>571 047</b>	<b>262 344</b>

Conditions still to be met - remain liabilities (see note 12)

#### **EPWP**

Balance unspent at beginning of year	1 955 700	250 700
Current-year receipts	1 734 588	1 705 000
	<b>3 690 288</b>	<b>1 955 700</b>

Conditions still to be met - remain liabilities (see note 12)

Provide explanations of conditions still to be met and other relevant information

#### **Fire**

Balance unspent at beginning of year	105 688	2 686 000
Current-year receipts	1 200 000	-
Conditions met - transferred to revenue	(805 094)	(2 580 312)
	<b>500 594</b>	<b>105 688</b>

Conditions still to be met - remain liabilities (see note 12).

#### **Library**

Balance unspent at beginning of year	590 605	1 022 120
Current-year receipts	400 000	-
Conditions met - transferred to revenue	(350 994)	(431 515)
	<b>639 611</b>	<b>590 605</b>

Conditions still to be met - remain liabilities (see note 12).

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand	2012	2011
<b>21. General expenses</b>		
Advertising	3 163 599	4 377 998
Assessment rates & municipal charges	2 655 975	2 534 327
Auditors remuneration	5 979 368	5 848 128
Bank charges	5 595 951	5 091 836
Cleaning	572	-
Commission paid	2 074 159	3 749 516
Consulting and professional fees	12 739 253	17 495 636
Consumables	1 609 731	2 335 984
Discount allowed	5 820 610	5 272 001
Entertainment	446 221	1 106 589
Fines and penalties	319 700	346 250
Animal Costs	5 060	5 481
Gifts	5 461	32 733
Hire	1 621 277	2 247 466
Insurance	2 581 302	5 523 385
Community development and training	894 345	4 921 135
Conferences and seminars	470 531	1 145 852
Lease rentals on operating lease	3 585 584	4 394 758
Marketing	1 034 640	5 354 294
Promotions and sponsorships	196 895	234 020
Magazines, books and periodicals	186 920	293 308
Medical expenses	15 007	131 244
Motor vehicle expenses	31 095 194	33 441 230
Pest control	29 920	142 032
Postage and courier	3 266 671	2 908 136
Printing and stationery	2 757 147	3 794 741
Promotions	-	998 814
Research and development costs	-	153 660
Royalties and license fees	4 683	30 621
Security (Guarding of municipal property)	6 742 836	6 562 675
Staff welfare	-	5 856
Subscriptions and membership fees	16 684	4 492
Telephone and fax	7 008 745	5 819 415
Transport and freight	73 795	82 258
Training	2 574 999	2 711 262
Travel - local	118 189	115 271
Refuse	3 288 265	3 084 810
Title deed search fees	171 401	248 825
Electricity	1 572 047	981 287
Other miscellaneous	74 481 084	84 741 114
Billing charges	22 652	931 459
Chemicals	1 389 508	1 098 659
		<b>185 615 981</b>
		<b>220 298 558</b>

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand	2012	2011
<b>22. Employee related costs</b>		
Basic	245 151 386	222 937 651
Medical aid - company contributions	33 499 467	54 191 040
UIF	2 363 889	2 177 392
WCA	3 031 686	-
Other payroll levies	2 961 844	2 592 777
Leave pay provision charge	4 854 423	5 964 103
Travel, motor car, accommodation, subsistence and other allowances	2 379 487	4 568 520
Overtime payments	18 554 866	19 426 016
Long-service awards	1 354 144	14 348 950
13th Cheques	19 329 067	17 488 480
Housing benefits and allowances	1 471 726	1 485 245
Group insurance	794 155	716 142
Pension fund	50 449 394	46 479 816
Redemption of leave	3 907 030	2 056 470
Other payments	2 177 673	3 394 094
	<b>392 280 237</b>	<b>397 826 696</b>
<b>Remuneration of municipal manager</b>		
Annual remuneration. (Appointed in Feb 2012)	374 666	1 015 520
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration. (Appointed in May 2012)	142 561	-
<b>Director municipal &amp; social services : Section 57 appointment</b>		
Annual remuneration (Vacant from March 2012)	581 745	754 462
<b>Director Corporate Services : Section 57 appointment</b>		
Annual remuneration (Appointed April 2012)	225 240	833 576
<b>Director Macro City Planning &amp; Development : Section 57 appointment</b>		
Annual remuneration	581 874	911 121
<b>Director Strategic Planning, Monitoring and Control : Section 57 appointment</b>		
Annual remuneration (Appointed April 2012)	225 240	-
<b>Director Infrastructure</b>		
Annual remuneration (Vacant from January 2012)	431 585	789 291
<b>Director Electrical and Mechanical Engineering</b>		
Annual remuneration	225 240	-
<b>23. Remuneration of councillors</b>		
Executive Mayor	673 095	661 076
Mayoral Committee Members	5 702 225	5 228 909
Speaker	536 405	515 270
Councillors	11 611 711	10 342 560
	<b>18 523 436</b>	<b>16 747 815</b>
<b>In-kind benefits</b>		

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

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### **23. Remuneration of councillors (continued)**

The Mayor has the use of a Council owned vehicle for official duties.

The Executive Mayor has one full-time bodyguard\driver.

### **24. Debt impairment**

Contributions to debt impairment provision	130 540 790	(136 948 022)
Debts impaired	56 952	440 489 529
	<b>130 597 742</b>	<b>303 541 507</b>

### **25. Investment revenue**

#### **Interest revenue**

Bank	931 583	2 192 524
Interest charged on trade and other receivables	36 723 920	51 134 307
Interest on investments	5 193 128	5 398 263
	<b>42 848 631</b>	<b>58 725 094</b>

### **26. Depreciation and amortisation**

Property, plant and equipment	157 705 694	175 297 775
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### **27. Finance costs**

Non-current borrowings	19 402 163	19 460 557
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### **28. Auditors' remuneration**

Fees	5 979 368	5 848 128
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### **29. Contracted services**

Other Contractors	54 626 526	36 892 302
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### **30. Bulk purchases**

Electricity	339 934 897	275 834 974
Water	136 319 013	130 009 916
	<b>476 253 910</b>	<b>405 844 890</b>

Electricity and water are supplied by Eskom and Midvaal Water Company.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand

2012                    2011

### **31. Cash generated from operations**

Deficit	(103 602 752)	(202 193 098)
<b>Adjustments for:</b>		
Depreciation and amortisation	157 705 694	175 297 775
Impairment reversals	-	(28 127 560)
Debt impairment	130 597 742	303 541 507
Movements in provisions	10 510 095	45 913 053
Other non-cash items and prior year adjustments	(6 084 803)	(269 865 220)
<b>Changes in working capital:</b>		
Inventories	5 953 081	(12 895 975)
Receivables from exchange transactions	6 141 853	52 085 877
Consumer debtors	(134 722 156)	(38 101 276)
Payables from exchange transactions	23 912 931	152 624 609
VAT	22 703 504	(895 439)
Unspent conditional grants and receipts	60 823 513	(2 333 127)
	<b>173 938 702</b>	<b>175 051 126</b>

### **32. Commitments**

#### **Authorised capital expenditure**

<b>Approved and contracted for</b>		
• Infrastructure	87 874 548	108 551 822
• Community	1 529 848	8 037 433
• Other	1 916 136	5 593 059
	<b>91 320 532</b>	<b>122 182 314</b>

#### **This expenditure will be financed from :**

• External loans	-	84 312 436
• Government grants	71 761 468	4 000 000
• Own resources	19 559 064	33 869 878
	<b>91 320 532</b>	<b>122 182 314</b>

The approved capital expenditure is not shown as committed in 2011 due to the turn-around strategy to improve the liquidity of the municipality.

#### **Operating leases - as lessee (expense)**

<b>Minimum lease payments due</b>		
- within one year	2 505 078	5 036 321
- in second to fifth year inclusive	841 650	3 236 712
	<b>3 346 728</b>	<b>8 273 033</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties, vehicles and office equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

#### **Operating leases - as lessor (income)**

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

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### **33. Contingencies**

#### **Contingent assets**

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in a note of this financial statements, civil proceedings have commenced against the employees concerned to recover an amount of R 2 300. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

#### **City of Matlosana / Toro ya Africa Consultants (Pty) Ltd**

Council instituted claims against the defendant for non performance on housing projects in Jouberton and Alabama.

- 223 000 000

#### **City of Matlosana / Kgasu Engineering (Pty) Ltd**

Council instituted action based on fraudulent representation and incorrect tariffs overpaid to the defendant.

- 1 235 775

#### **City of Matlosana / Cybed Trading 0005CC**

Legal action instituted by Council against defendant for arrear debt.

- 12 000

#### **City of Matlosana / G Wessie**

Claim by council against a former employee for equipment not yet returned.

2 300 2 300

#### **City of Matlosana / ZCM Britz**

The Council is claiming from defendant for loss of income. Further investigations are in progress.

- 61 686

#### **City of Matlosana / KOSH Contractors**

Council instituted claims against the contractor for construction of houses which were condemned.

- 6 000 000

#### **City of Matlosana / Lets Trade**

Council instituted claims against the contractor for construction of houses which were condemned.

- 10 000 000

#### **City of Matlosana / Raliform Investments (Pty) Ltd**

Council instituted claims against the contractor for construction of houses which were condemned.

156 000 000 156 000 000

#### **City of Matlosana / St Pauls Insurance Company**

A claim by Council for the payment of suretyship and guarantees for work not completed by DGD Construction in Kanana. This matter has been consolidated with the matter above and a settlement agreement has been reached.

- 1 700 000

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

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### **34. Related parties**

Relationships	
Councillor Douw J	Midvaal Water Company
Councillor Makhale S	Midvaal Water Company
Councillor Mapane MJ	Midvaal Water Company
Councillor Nakedi SL	Midvaal Water Company
Councillor Sebusengwe GL	Midvaal Water Company
Councillor Thabanchu OR ( Speaker )	Midvaal Water Company
Councillor Bondes I	ZMS Management Solutions (Pty) Ltd
Councillor Dithejane MC	Lerato Botho Building Electrical Construction CC

Councillors are members of the board of directors of the Midvaal Water Company ( a section 21 company ) who supply bulk water to the City of Matlosana. Transactions with Midvaal Water Company amounted to R136 319 013 (2011 : R 143 153 590). Midvaal Water Company is a supplier and the transactions are at arm's length.

Councillor Bondes and councillor Bester was related parties to ZMS Management Solutions (Pty) Ltd which supplies debt collection services to the City of Matlosana. ZMS was awarded the work through tender process and expenditure for the year under review amounts to R 0.00 (2011 : R 4 323 765)

Councillor Dithejane is a member of Lerato Botho Building Electrical Construction CC which provides construction services that is awarded through the tender process. Expenditure for the current year is R 0.00 ( 2011 : R 575 181 )

### **35. Prior period errors**

The following prior adjustments were effected on the financial statements :

Investment properties to the value of R 67 689 000 that were previously excluded from the list of assets are now accounted for.

Impairment on consumer debtors was previously understated. The financial statements of 2010/2011 has been restated to correct this error.

The effect of the above restatements are summarised below. There is no effect on the 2011/2012 financial year.

#### **Statement of financial position**

Increase in investment properties	-	67 689 000
Decrease in consumer debtors	-	(67 015 020)

#### **Statement of Financial Performance**

Increase operating expenses (debt impairment)	-	67 015 020
Net increase in deficit	-	67 015 020

### **36. Risk management**

#### **Capital risk management**

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide services for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 11, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 10% to 35%.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand

2012

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### **36. Risk management (continued)**

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2012 and 2011 respectively were as follows:

#### **Total borrowings**

Current Liabilities	761 530 024	639 333 364
Non-current liabilities	128 239 941	147 569 522
	<b>889 769 965</b>	<b>786 902 886</b>
Less: Cash and cash equivalents	9	65 040 858
Net debt	824 729 107	764 362 430
Total equity	1 660 100 805	1 760 129 385
<b>Total capital</b>	<b>2 484 829 912</b>	<b>2 524 491 815</b>

#### **Financial risk management**

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

#### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### **Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2012 and 2011, the municipality's borrowings at variable rate were denominated in Rand.

#### **Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand

2012

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### **36. Risk management (continued)**

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2012	2011
Long term receivables	21 623 223	16 585 264
Consumer debtors	64 692 676	60 568 362
Other receivables	21 332	17 603
Cash and cash equivalents	64 262 600	22 543 324

The municipality is exposed by a guarantee for a loan at DBSA and is secured by the Nedbank investment as disclosed in note 12.

### **37. Going concern**

We draw attention to the fact that although the municipality reported a deficit of R103 602 752 at 30 June 2012, the municipality had accumulated surplus of R 1 654 974 877 and that the municipality's total assets exceed its liabilities by R 1 660 100 805.

The municipality reviews cash flow forecast on a continuous basis and has implemented debt collection and cost management plans to improve liquidity.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors, the most significant of being improvement of collections and management of costs.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### **38. Events after the reporting date**

There were no material events that required an adjustment to the annual financial statements after the reporting date:

### **39. Unauthorised expenditure**

#### **Reconciliation of unauthorised expenditure**

Opening balance	1 463 482	1 463 482
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Unbudgeted expenditure : Over expenditure against budget resulted from additional depreciation charges after fair value adjustments were made to infra-structure assets, as well as additional provisions made for impairment of consumer debtors. This was condoned by Council during the reporting period.

Un-authorised expenditure : Expenses relating to various sponsorships & donations amounting to R1 428 487 are currently being investigated for compliance with Council's mandate and approval.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand	2012	2011
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### **40. Fruitless and wasteful expenditure**

<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance	5 720 251	4 640 183
Fruitless and wasteful expenditure current year	9 904 504	1 080 068
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>15 624 755</b>	<b>5 720 251</b>

The Municipality incurred interest as a result of late payment of the Eskom, SARS and Auditor General accounts. Fines and penalties was also incurred for late submissions and other incidents of non-compliance.

### **41. Irregular expenditure**

<b>Reconciliation of irregular expenditure</b>		
Opening balance	33 897 811	178 984 279

Various expenditure items were identified during the 2010 audit for which adequate supporting evidence could not be provided as proof that all Supply Chain Management Procedures were followed. These matters are currently being investigated and appropriate procedures as required by the MFMA will be implemented based on the findings of the investigations.

### **42. Additional disclosure in terms of Municipal Finance Management Act**

#### **Contributions to organised local government : SALGA**

Current year subscription / fee	2 809 064	1 679 477
Amount paid - current year	(1 949 980)	(1 679 477)
	<b>859 084</b>	-

#### **Audit fees**

Opening balance	-	2 396 066
Current year subscription / fee	5 727 583	3 452 062
Amount paid - current year	(4 765 044)	(3 452 062)
Amount paid - previous years	-	(2 396 066)
	<b>962 539</b>	-

#### **PAYE, UIF and SDL**

Current year subscription / fee	39 736 199	28 649 715
Amount paid - current year	(39 736 199)	(28 649 715)
	-	-

#### **Pension and Medical Aid Deductions**

Current year subscription / fee	77 522 503	64 758 245
Amount paid - current year	(77 522 503)	(64 758 245)
	-	-

#### **VAT**

VAT payable	52 749 080	30 045 576
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# City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand

2012

2011

### 42. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:  
 (Currently arrangements with the councillors to deduct the outstanding balances from their monthly salaries in line with the council's credit policy)

30 June 2012	Outstanding	Outstanding	Total
	less than 90	more than 90	R
	days	days	
	R	R	
Councillor MP Hlaka	-	4 065	4 065
Councillor MK Khauoe	1 387	24 992	26 379
Councillor NS Mendela	-	4 226	4 226
Councillor GS Nkobe	-	12 810	12 810
Councillor SL Sithole	-	17 199	17 199
	<b>1 387</b>	<b>63 292</b>	<b>64 679</b>

30 June 2011	Outstanding	Outstanding	Total
	less than 90	more than 90	R
	days	days	
	R	R	
Councillor OR Thabanchu	98	866	964
Councillor BH Ntsangani	337	124	461
Councillor J Douw	-	72	72
Councillor AM Mapane	25	111	136
Councillor RA Marumole	51	331	382
Councillor RP Moleme	86	111	197
Councillor EN Ngalo	88	905	993
Councillor PR Pooe	144	144	288
Councillor GL Sebusengwe	36	-	36
Councillor LL Appels	50	490	540
Councillor CJ Bester	-	425	425
Councillor I Bondes	-	134	134
Councillor SF Botes	-	1 290	1 290
Councillor MC Dithejane	17	262	279
Councillor ME Flathela	57	790	847
Councillor EG Hart	409	3 806	4 215
Councillor GR Kgosi	805	123	928
Councillor LM Kortjas	366	1 427	1 793
Councillor NL Landela	185	143	328
Councillor JJ Le Grange	316	721	1 037
Councillor MMS Lee	81	793	874
Councillor WJJ Louwrens	-	1 598	1 598
Councillor NM Mafuya	-	108	108
Councillor SL Makhale	-	124	124
Councillor GN Maleta	12	199	211
Councillor RA Matsepe	-	1 316	1 316
Councillor CG Mbobo	-	108	108
Councillor GJ Mohale	-	166	166
Councillor PL Mohoase	-	240	240
Councillor EM Mojela	178	448	626
Councillor GH Moleme	-	493	493
Councillor SD Montoedi	68	92	160
Councillor LM Mothibedi	-	110	110
Councillor SL Nakedi	-	141	141
Councillor EPJ Nel	904	2 064	2 968
Councillor GS Nkobe	-	31 367	31 367
Councillor NP Nyaqela	-	11	11
Councillor ST Pitso	109	122	231

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>42. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Councillor TS Rammute	-	132
Councillor KL Ross	-	681
Councillor LV Rothman	1 022	377
Councillor JM Sebata	-	291
Councillor PM Seduku	351	1 687
Councillor RK Sello	-	190
Councillor MP Sethunya	-	121
Councillor NW Setuntsa	-	24 055
Councillor MS Sishuba	141	575
Councillor GF Tladi	233	196
Councillor MAJ Tolomo	-	429
Councillor TZ Tshoniswa	356	135
Councillor R van Jaarsveld	433	1 074
Councillor LDJ vd Westhuizen	416	849
	<b>7 374</b>	<b>82 286</b>
		<b>89 660</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2012	Highest outstanding amount 2012	Highest outstanding amount 2011
Councillor OR Thabanchu	-	2 488
Councillor BH Ntsangani	-	770
Councillor OM Mogale	-	15 251
Councillor J Douw	-	2 710
Councillor AM Mapane	-	198
Councillor RA Marumole	-	446
Councillor RP Moleme	-	208
Councillor EN Ngalo	-	1 056
Councillor PR Pooe	-	371
Councillor GL Sebusengwe	-	867
Councillor LL Appels	-	833
Councillor CJ Bester	-	904
Councillor I Bondes	-	256
Councillor SF Botes	-	1 680
Councillor M Coetzee	7 261	1 390
Councillor MC Dithejane	-	287
Councillor ME Flathela	-	1 059
Councillor EG Hart	-	6 372
Councillor GR Kgosi	-	981
Councillor MP Hlaka	22 095	-
Councillor LM Kortjas	-	1 793
Councillor MK Khauoe	28 600	-
Councillor NL Landela	-	328
Councillor JJ Le Grange	-	1 584
Councillor MMS Lee	-	873
Councillor WJJ Louwrens	-	2 298
Councillor NM Mafuya	-	496
Councillor SL Makhale	-	198
Councillor GN Maleta	-	285
Councillor MI Mangesi	2 481	-
Councillor RA Matspe	12 185	18 053
Councillor CG Mbobo	-	1 320
Councillor NS Mendela	6 916	-
Councillor P Moeng	-	494
Councillor GJ Mohale	-	190
Councillor PL Mohoase	-	315
Councillor EM Mojela	-	671
Councillor GH Moleme	-	1 831
Councillor SD Montoedi	-	184

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand	2012	2011
<b>42. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Councillor LM Mothibedi	-	282
Councillor SL Nakedi	-	178
Councillor EPJ Nel	-	8 590
Councillor GS Nkebe	27 768	49 438
Councillor TJ Ntusi	-	397
Councillor NP Nyaqela	-	3 917
Councillor ST Pitso	-	400
Councillor TS Rammutele	-	418
Councillor KL Ross	-	3 713
Councillor LV Rothman	-	1 399
Councillor JM Sebata	-	781
Councillor PM Seduku	-	2 190
Councillor RK Sello	-	202
Councillor MP Sethunya	-	207
Councillor NW Setuntsa	-	35 650
Councillor MS Sishuba	-	1 040
Councillor SL Sithole	27 488	-
Councillor SP Terblanche	-	3 193
Councillor GK Tladi	-	429
Councillor MAJ Tolomo	-	320
Councillor TZ Tshoniswa	-	491
Councillor R van Jaarsveld	-	2 085
Councillor LDJ vd Westhuizen	-	2 294
	<b>134 794</b>	<b>186 654</b>

### **43. Utilisation of Long-term liabilities reconciliation**

Long-term liabilities	147 051 139	163 940 141
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Refer to appendix A for more detail on long-term liabilities.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand

2012                    2011

### **44. Contingent liabilities**

#### **Guarantee in favour of Telkom**

A general guarantee, ref LDP 179200040, is held by ABSA in favour of Telkom	22 860	22 860
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#### **Guarantee in favour of ESKOM**

A guarantee, ref LDP 45881001101, is held by ABSA in favour of Eskom and is secured by account 2069458868.	-                    18 187 200
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<b>22 860</b>	<b>18 210 060</b>
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#### **North West Security Services t/a Cetronic Security Services / City of Matlosana**

A contract was cancelled with Cetronic Services. The claim against council is for services delivered after cancellation date.	-                    91 000
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#### **Theron Jordaan & Smit / City of Matlosana**

This was an application by the claimant, a firm of attorneys, to be reinstated on the panel by council. There is also a counter action by council for files retained by the firm.	185 166	21 084
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#### **Francis Behr / City of Matlosana**

Mr. Behr claimed against the Council for not transferring Erf 3141 Orkney Extension 2 into his name as he paid an amount of R 13 500.	13 500	13 500
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#### **S Pillay / City of Matlosana**

Me. Shalin Pillay instituted legal action Council for damages suffered.	240 000	240 000
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#### **ME Motuang / City of Matlosana**

ME Motuang had summons issued and served for personal injury. The plaintiff apparently stepped into an open manhole and was injured and incurred damages as a result of loss of income.	70 000	100 000
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#### **SJ Motors / City of Matlosana**

A summons was brought against the council for the amount of R 29 212.57. SJ Motors is claiming money from the Council for repair fee.	-                    29 213
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#### **Mojo's Tent Hiring & Enterprise CC / City of Matlosana**

A letter of demand was sent to the council for payment.	-                    1 132 800
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#### **NJ Myburg \ City of Matlosana**

Council is defending summons brought against the Council by plaintiff in lieu of fire damage to plaintiff's property.	1 007 879	1 007 879
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#### **IMEC Investments (Pty) Ltd / City of Matlosana**

Council is defending summons brought against the Council by plaintiff.	-                    329 536
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#### **Roadspan Asphalt (Pty) Ltd / City of Matlosana**

Council is defending summons brought against the Council by the plaintiff.	174 292	174 292
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#### **QCK Lezmin 4251 CC / City of Matlosana**

Council is defending summons brought against the Council by the plaintiff.	1 309 124	1 309 124
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#### **River End Trading / City of Matlosana**

Council is defending summons brought against the Council by the plaintiff.	87 372	87 372
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#### **Ke A Dira Construction CC / City of Matlosana**

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand	2012	2011
<b>44. Contingent liabilities (continued)</b> Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS 1/2011.	17 391 228	2 274 704
<b>New Integrated Credit Solutions / City of Matlosana</b> Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS16/2010.	5 000 000	5 000 000

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand

### 45. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>								
Property rates	251 212 440	251 212 440		251 212 440	183 246 897	67 965 543	73 %	73 %
Service charges	909 683 714	855 491 135		855 491 135	647 801 256	207 689 879	76 %	71 %
Investment revenue	3 756 500	3 756 500		3 756 500	42 848 631	(39 092 131)	1 141 %	1 141 %
Transfers recognised - operational	307 000 000	308 236 396		308 236 396	352 580 997	(44 344 601)	114 %	115 %
Other own revenue	359 918 409	289 249 490		289 249 490	136 562 713	152 686 777	47 %	38 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1 831 571 063</b>	<b>1 707 945 961</b>		<b>1 707 945 961</b>	<b>1 363 040 494</b>	<b>344 905 467</b>	<b>80 %</b>	<b>74 %</b>
Employee costs	(371 757 837)	(380 727 937)	(3 654 690)	(384 382 627)	(392 280 237)	7 897 610	102 %	106 %
Remuneration of councillors	(20 725 097)	(19 225 097)	(4 510)	(19 229 607)	(18 523 436)	(706 171)	96 %	89 %
Debt impairment	(36 313 025)	(36 313 025)		(36 313 025)	(130 597 742)	94 284 717	360 %	360 %
Depreciation and asset impairment	(180 361 966)	(166 161 966)	(1 403 900)	(167 565 866)	(157 705 694)	(9 860 172)	94 %	87 %
Finance charges	(18 914 824)	(21 107 019)	599 230	(20 507 789)	(19 402 163)	(1 105 626)	95 %	103 %
Materials and bulk purchases	(496 280 517)	(514 980 517)	-	(514 980 517)	(476 253 910)	(38 726 607)	92 %	96 %
Other expenditure	(707 190 654)	(569 403 257)	4 463 870	(564 939 387)	(271 880 064)	(293 059 323)	48 %	38 %
<b>Total expenditure</b>	<b>(1 831 543 920)</b>	<b>(1 707 918 818)</b>		<b>- (1 707 918 818)</b>	<b>(1 466 643 246)</b>	<b>(241 275 572)</b>	<b>86 %</b>	<b>80 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>27 143</b>	<b>27 143</b>		<b>27 143</b>	<b>(103 602 752)</b>	<b>103 629 895</b>	<b>(381 692)%</b>	<b>(381 692)%</b>

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Annual Financial Statements**

Figures in Rand

### **45. Statement of comparative and actual information (continued)**

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>								
<b>Sources of capital funds</b>								
Public contributions and donations								
	233 593 696	233 593 696		233 593 696	113 588 005	120 005 691	49 %	49 %

Refer to appendix E1 and E2 for detailed listings.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2012

## **Detailed Income statement**

Figures in Rand	Note(s)	2012	2011
<b>Revenue</b>			
Rendering of services		4 839	48 351
Property rates	18	183 246 897	181 286 149
Service charges	19	645 295 263	582 695 319
Levies		2 505 993	2 269 838
Rental of facilities and equipment		8 536 746	5 649 498
Fines		6 557 462	8 387 312
Licences and permits		4 495 881	3 823 203
Government grants & subsidies	20	352 580 997	350 041 177
Market dues		13 934 507	12 276 215
Miscellaneous other revenue		32 586	398 561
Commissions received		9 269 531	8 767 443
Royalties received		1 150 195	1 740 078
Rental income		745 992	78 300
Discount received		330 738	398 782
Recoveries		3 002 519	1 529 600
Other income		18 610 765	38 397 526
Reconnections		37 605 973	18 185 444
Transfer for reserves and funds		32 284 979	144 741 554
Interest received - investment	25	42 848 631	58 725 094
Gains on disposal of assets		25	- 92 241 582
<b>Total Revenue</b>		<b>1 363 040 494</b>	<b>1 511 681 026</b>
<b>Expenditure</b>			
Personnel	22	(392 280 237)	(397 826 696)
Remuneration of councillors	23	(18 523 436)	(16 747 815)
Depreciation and amortisation	26	(157 705 694)	(175 297 775)
Impairment loss/ Reversal of impairments		-	28 127 560
Finance costs	27	(19 402 163)	(19 460 557)
Debt impairment	24	(130 597 742)	(303 541 507)
Repairs and maintenance		(31 637 557)	(73 850 002)
Bulk purchases	30	(476 253 910)	(405 844 890)
Contracted services	29	(54 626 526)	(36 892 302)
Loss on disposal of assets		-	(92 241 582)
General Expenses	21	(185 615 981)	(220 298 558)
<b>Total Expenditure</b>		<b>(1 466 643 246)</b>	<b>(1 713 874 124)</b>
<b>Deficit for the year</b>		<b>(103 602 752)</b>	<b>(202 193 098)</b>

# **City of Matlosana**

## **Appendix A**

June 2012

### **Schedule of external loans as at 30 June 2011**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at</b>	<b>Received</b>	<b>Redeemed</b>	<b>Balance at</b>
		<b>30 June</b>	<b>during the</b>	<b>written off</b>	<b>30 June</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>

#### **Loan Stock**

##### **Structured loans**

##### **Funding facility**

##### **Development Bank of South Africa**

DBSA @ 12%	JBC09588	30-Sep-2014	14 778 515	-	3 730 153	11 048 362
DBSA @ 15%	NW10959	30-Sep-2017	4 847 463	-	482 318	4 365 145
DBSA @ 15,25%	NW11182	30-Sep-2018	5 448 037	-	427 647	5 020 390
DBSA @ 15,60%	NW13637	30-Sep-2020	3 270 489	-	166 597	3 103 892
DBSA @ prime	NW13874/1	30-Sep-2019	4 444 444	-	555 556	3 888 888
DBSA @ prime	NW13874/2	30-Jun-2019	14 998 125	-	-	14 998 125
DBSA @ 11,50%	100395	30-Jun-2013	4 815 068	-	2 272 340	2 542 728
DBSA @ 11,20%	101297/1	30-Jun-2019	20 285 950	-	1 673 512	18 612 438
DBSA @ 11,20%	101297/2	30-Jun-2019	25 384 104	-	2 094 090	23 290 014
DBSA @ 15%	10556/101	31-Mar-2018	8 606 609	-	762 293	7 844 316
DBSA @ 15,25%	10906/101	30-Mar-2019	3 741 481	-	237 220	3 504 261
DBSA @ 15,25%	10912/102	20-Sep-2019	5 540 969	-	351 313	5 189 656
DBSA @ 15,25%	10913/102	30-Sep-2019	4 264 570	-	270 385	3 994 185
DBSA @ 15%	9740/102	31-Mar-2014	526 457	-	158 636	367 821
DBSA @ 15%	9741/102	31-Mar-2015	544 541	-	164 085	380 456
DBSA @ 15%	9743/102	31-Mar-2015	1 275 283	-	273 625	1 001 658
DBSA @ 15%	9746/102	31-Mar-2015	1 412 671	-	262 443	1 150 228
DBSA @ 12,25%	103677/1	01-Nov-2010	34 507 309	-	1 093 577	33 413 732
			<b>158 692 085</b>	<b>-</b>	<b>14 975 790</b>	<b>143 716 295</b>

#### **Bonds**

#### **Other loans**

#### **Lease liability**

#### **Annuity loans**

INCA @ 12,25%

KLER-00-001	31-Dec-2013	5 248 056	-	1 913 212	3 334 844
		<b>5 248 056</b>	<b>-</b>	<b>1 913 212</b>	<b>3 334 844</b>

**Total external loans**

**City of Matlosana****Appendix A**

June 2012

**Schedule of external loans as at 30 June 2011**

Loan Number	Redeemable	Balance at	Received	Redeemed	Balance at
		30 June 2011	during the period	written off during the period	30 June 2012
		Rand	Rand	Rand	Rand
Development Bank of South Africa		158 692 085	-	14 975 790	143 716 295
Annuity loans		5 248 056	-	1 913 212	3 334 844
		<b>163 940 141</b>	<b>-</b>	<b>16 889 002</b>	<b>147 051 139</b>

## **City of Matlosana**

## **City of Matlosana**

## **Appendix B**

June 2012

**Analysis of property, plant and equipment as at 30 June 2012**

Opening Balance Rand	Additions Rand	Disposals Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
152 069 122 146 857 414	- 436 830	- -	- -	935 383 148 229 627	152 069 122 (38 394 255)	- -	- (4 722 958)	- (43 117 213)	152 069 122 105 112 414	
298 926 536	436 830	-	-	935 383	300 298 749	(38 394 255)	-	(4 722 958)	(43 117 213)	257 181 536
1 071 106 977 262 093 942 435 315 533 568 929 259 5 845 369	14 102 465 4 505 828 - 37 424 588 51 990	- - - - -	- - - - -	10 437 385 42 707 881 30 678 824 21 449 751 5 897 359	1 095 646 827 309 307 651 465 994 357 627 803 598 (938 602)	(298 891 739) (48 407 483) (98 735 634) (128 466 294) (938 602)	- - - - -	(66 778 614) (11 290 628) (21 941 016) (29 643 484) (292 702)	(365 670 353) (59 698 111) (120 676 650) (158 109 778) (1 231 304)	729 976 474 249 609 540 345 317 707 469 693 820 4 666 055
5 664 732	216 146	-	-	-	5 880 878	(4 175 839)	-	(798 136)	(4 973 975)	906 903
2 348 955 812	56 301 017	-	-	105 273 841	2 510 530 670	(579 615 591)	-	(130 744 580)	(710 360 171)	1 800 170 499
17 807 618 74 228 526	209 889 4 017 873	- -	- -	- 9 761 230	18 017 507 88 007 629	(7 925 744) (23 566 731)	- -	(731 358) (2 205 319)	(8 657 102) (25 772 050)	9 360 405 62 235 579
92 036 144	4 227 762	-	-	9 761 230	106 025 136	(31 492 475)	-	(2 936 677)	(34 429 152)	71 595 984

**City of Matlosana**  
**City of Matlosana**  
**Appendix B**  
June 2012

**Analysis of property, plant and equipment as at 30 June 2012**  
**Cost/Revaluation**      **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>											
Museum	242 839	8	-	-	-	242 847	(84 725)	-	-	(84 725)	158 122
Statuses	366 236	-	-	-	-	366 236	-	-	-	-	366 236
Historical buildings	713 407	-	-	-	-	713 407	-	-	-	-	713 407
Historical sites	19 591	-	-	-	-	19 591	-	-	-	-	19 591
Paintings and sculptures	349 736	7 559	-	-	-	357 295	-	-	-	-	357 295
	<b>1 691 809</b>	<b>7 567</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 699 376</b>	<b>(84 725)</b>	<b>-</b>	<b>-</b>	<b>(84 725)</b>	<b>1 614 651</b>
<b>Specialised vehicles</b>											
<b>Other assets</b>											
General vehicles	113 994 047	6 771 540	-	-	751 265	121 516 852	(60 747 777)	-	(6 422 495)	(67 170 272)	54 346 580
Plant & equipment	111 546 109	314 197	-	-	155 373	112 015 679	(81 919 085)	-	(7 943 115)	(89 862 200)	22 153 479
Furniture & Fittings	29 171 356	484 421	-	-	-	29 655 777	(26 212 181)	-	(561 028)	(26 773 209)	2 882 568
Office Equipment	36 022 420	917 081	-	-	-	36 939 501	(25 984 877)	-	(3 490 402)	(29 475 279)	7 464 222
Containers	10 330 655	-	-	-	-	10 330 655	(7 004 736)	-	(739 557)	(7 744 293)	2 586 362
Emergency	1 745 751	266	-	-	-	1 746 017	(686 321)	-	(122 710)	(809 031)	936 986
Watercraft	332 633	-	-	-	-	332 633	(8 568)	-	(22 176)	(30 744)	301 889
	<b>303 142 971</b>	<b>8 487 505</b>	<b>-</b>	<b>-</b>	<b>906 638</b>	<b>312 537 114</b>	<b>(202 563 545)</b>	<b>-</b>	<b>(19 301 483)</b>	<b>(221 865 028)</b>	<b>90 672 086</b>
<b>Total property plant and equipment</b>											
Land and buildings	298 926 536	436 830	-	-	935 383	300 298 749	(38 394 255)	-	(4 722 958)	(43 117 213)	257 181 536
Infrastructure	2 348 955 812	56 301 017	-	-	105 273 841	2 510 530 670	(579 615 591)	-	(130 744 580)	(710 360 171)	1 800 170 499
Community Assets	92 036 144	4 227 762	-	-	9 761 230	106 025 136	(31 492 475)	-	(2 936 677)	(34 429 152)	71 595 984
Heritage assets	1 691 809	7 567	-	-	-	1 699 376	(84 725)	-	-	(84 725)	1 614 651
Other assets	303 142 971	8 487 505	-	-	906 638	312 537 114	(202 563 545)	-	(19 301 483)	(221 865 028)	90 672 086
	<b>3 044 753 272</b>	<b>69 460 681</b>	<b>-</b>	<b>-</b>	<b>116 877 092</b>	<b>3 231 091 045</b>	<b>(852 150 591)</b>	<b>-</b>	<b>(157 705 698)</b>	<b>(1 009 856 289)</b>	<b>2 221 234 756</b>
<b>Agricultural/Biological assets</b>											
<b>Intangible assets</b>											
<b>Investment properties</b>											
Office park	134 833 400	-	-	-	-	134 833 400	-	-	-	-	134 833 400
	<b>134 833 400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134 833 400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134 833 400</b>

**City of Matlosana**  
**City of Matlosana**  
**Appendix B**  
June 2012

**Analysis of property, plant and equipment as at 30 June 2012**  
**Cost/Revaluation**      **Accumulated depreciation**

	<b>Opening Balance</b> <b>Rand</b>	<b>Additions</b> <b>Rand</b>	<b>Disposals</b> <b>Rand</b>	<b>Revaluations</b> <b>Rand</b>	<b>Other changes, movements</b> <b>Rand</b>	<b>Closing Balance</b> <b>Rand</b>	<b>Opening Balance</b> <b>Rand</b>	<b>Disposals</b> <b>Rand</b>	<b>Depreciation</b> <b>Rand</b>	<b>Closing Balance</b> <b>Rand</b>	<b>Carrying value</b> <b>Rand</b>
<b>Total</b>											
Land and buildings	298 926 536	436 830	-	-	935 383	300 298 749	(38 394 255)	-	(4 722 958)	(43 117 213)	257 181 536
Infrastructure	2 348 955 812	56 301 017	-	-	105 273 841	2 510 530 670	(579 615 591)	-	(130 744 580)	(710 360 171)	1 800 170 499
Community Assets	92 036 144	4 227 762	-	-	9 761 230	106 025 136	(31 492 475)	-	(2 936 677)	(34 429 152)	71 595 984
Heritage assets	1 691 809	7 567	-	-	-	1 699 376	(84 725)	-	(84 725)	-	1 614 651
Other assets	303 142 971	8 487 505	-	-	906 638	312 537 114	(202 563 545)	-	(19 301 483)	(221 865 028)	90 672 086
Investment properties	134 833 400	-	-	-	-	134 833 400	-	-	-	-	134 833 400
	<b>3 179 586 672</b>	<b>69 460 681</b>	<b>-</b>	<b>-</b>	<b>116 877 092</b>	<b>3 365 924 445</b>	<b>(852 150 591)</b>	<b>-</b>	<b>(157 705 698)</b>	<b>(1 009 856 289)</b>	<b>2 356 068 156</b>

# City of Matlosana

## Appendix C

June 2012

### Segmental analysis of property, plant and equipment as at 30 June 2012

#### Cost/Revaluation

#### Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>											
Health/Clinics	6 460 978	1 947	-	-	-	6 462 925	(5 462 663)	-	(60 113)	(5 522 776)	940 149
Comm. & Social/Libraries and archives	143 335 778	5 189 006	-	-	9 761 230	158 286 014	(92 348 859)	-	(57 971 816)	(150 320 675)	7 965 339
Housing	9 541 203	14 755	-	-	-	9 555 958	(4 738 108)	-	(591 788)	(5 329 896)	4 226 062
Public Safety/Police	58 390 543	298 920	-	-	751 265	59 440 728	(27 478 215)	-	(3 550 824)	(31 029 039)	28 411 689
council general	41 276 387	6 772 056	-	-	751 345	48 799 788	(6 489 676)	-	(3 895 675)	(10 385 351)	38 414 437
City Civil Engineer	2 199 134 872	51 490 406	-	-	62 870 323	2 313 495 601	(576 744 194)	-	(81 719 989)	(658 464 183)	1 655 031 418
City Electrical Engineer	321 911 978	4 630 544	-	-	42 707 881	369 250 403	(84 992 365)	-	(4 588 068)	(89 580 433)	279 669 970
Corporate services	333 361 296	222 471	-	-	-	333 583 767	(23 269 307)	-	(1 841 612)	(25 110 919)	308 472 848
Financial section	31 171 885	696 306	-	-	-	31 868 191	(16 162 228)	-	(2 246 412)	(18 408 640)	13 459 551
Market	30 984 056	143 900	-	-	-	31 127 956	(13 161 940)	-	(1 013 534)	(14 175 474)	16 952 482
Local economic development	4 017 693	370	-	-	35 048	4 053 111	(1 303 033)	-	(225 865)	(1 528 898)	2 524 213
	<b>3 179 586 669</b>	<b>69 460 681</b>	-	-	<b>116 877 092</b>	<b>3 365 924 442</b>	<b>(852 150 588)</b>	-	<b>(157 705 696)</b>	<b>1 009 856 284</b>	<b>2 356 068 158</b>

#### Municipal Owned Entities

##### Total

Municipality	3 179 586 669	69 460 681	-	-	116 877 092	3 365 924 442	(852 150 588)	-	(157 705 696)	1 009 856 284	2 356 068 158
	<b>3 179 586 669</b>	<b>69 460 681</b>	-	-	<b>116 877 092</b>	<b>3 365 924 442</b>	<b>(852 150 588)</b>	-	<b>(157 705 696)</b>	<b>1 009 856 284</b>	<b>2 356 068 158</b>

**City of Matlosana**

**Appendix D**

June 2012

**Segmental Statement of Financial Performance for the year ended  
Prior Year Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>					
30 545 299	143 272 136	(112 726 837) Executive & Council/Mayor and Council	14 108 057	119 926 677	(105 818 620)
537 944 215	238 429 540	299 514 675 Finance & Admin/Finance	493 235 846	191 829 127	301 406 719
12 511 024	28 175 020	(15 663 996) Planning and Development/Economic Development/Plan	15 584 216	21 063 737	(5 479 521)
251 603	7 331 985	(7 080 382) Health/Clinics	49 263	6 375 958	(6 326 695)
119 050 839	166 400 272	(47 349 433) Comm. & Social/Libraries and archives	122 375 007	173 511 254	(51 136 247)
2 173 847	27 757 761	(25 583 914) Housing	3 026 665	7 256 534	(4 229 869)
94 803 147	133 179 912	(38 376 765) Public Safety/Police	78 341 480	135 143 984	(56 802 504)
270 510 345	438 717 301	(168 206 956) Road Transport/Roads	16 103 987	125 879 452	(109 775 465)
395 535 628	423 168 126	(27 632 498) Electricity /Electricity Distribution	419 890 935	425 908 401	(6 017 466)
47 697 673	57 820 915	(10 123 242) Other/Air Transport	200 325 038	259 748 122	(59 423 084)
<b>1 511 023 620</b>	<b>1 664 252 968</b>	<b>(153 229 348)</b>	<b>1 363 040 494</b>	<b>1 466 643 246</b>	<b>(103 602 752)</b>
<b>Municipal Owned Entities</b>					
<b>Other charges</b>					
<b>1 511 023 620</b>	<b>1 664 252 968</b>	<b>(153 229 348) Municipality</b>	<b>1 363 040 494</b>	<b>1 466 643 246</b>	<b>(103 602 752)</b>
<b>1 511 023 620</b>	<b>1 664 252 968</b>	<b>(153 229 348) Total</b>	<b>1 363 040 494</b>	<b>1 466 643 246</b>	<b>(103 602 752)</b>

**City of Matlosana**

**Appendix E(1)**

June 2012

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June  
2012**

	<b>Current year 2011 Act. Bal.</b>	<b>Current year 2011 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
	Rand	Rand	Rand	Var
<b>Revenue</b>				
Rendering of services	4 839	-	4 839	-
Property rates	183 246 897	251 212 440	(67 965 543)	(27.1)
Service charges	645 295 262	855 491 135	(210 195 873)	(24.6)
Levies	2 505 993	-	2 505 993	-
Rental of facilities and equipment	8 536 745	11 552 000	(3 015 255)	(26.1)
Fines	6 557 462	9 979 318	(3 421 856)	(34.3)
Licences and permits	4 495 881	7 876 734	(3 380 853)	(42.9)
Government grants & subsidies	352 580 997	308 236 396	44 344 601	14.4
Market dues	13 934 507	14 509 992	(575 485)	(4.0)
Other income	103 033 281	245 331 446	(142 298 165)	(58.0)
Interest received - investment	42 848 630	3 756 500	39 092 130	1 040.7
	<b>1 363 040 494</b>	<b>1 707 945 961</b>	<b>(344 905 467)</b>	<b>(20.2)</b>
<b>Expenses</b>				
Personnel	(392 280 237)	(380 727 937)	(11 552 300)	3.0
Remuneration of councillors	(18 523 436)	(19 225 097)	701 661	(3.6)
Administration	-	-	-	-
Depreciation	(157 705 694)	(166 161 966)	8 456 272	(5.1)
Impairments	-	-	-	-
Finance costs	(19 402 164)	(21 107 019)	1 704 855	(8.1)
Debt impairment	(130 597 742)	(36 313 025)	(94 284 717)	259.6
Repairs and maintenance - General	(31 637 558)	(56 386 102)	24 748 544	(43.9)
Bulk purchases	(476 253 910)	(514 980 517)	38 726 607	(7.5)
Contracted Services	(54 626 520)	(49 996 993)	(4 629 527)	9.3
General Expenses	(185 615 988)	(463 020 162)	277 404 174	(59.9)
	<b>(1 466 643 249)</b>	<b>(1 707 918 818)</b>	<b>241 275 569</b>	<b>(14.1)</b>
<b>Other revenue and costs</b>				
Net surplus/ (deficit) for the year	<b>(103 602 755)</b>	<b>27 143</b>	<b>(103 629 898)</b>	<b>(381 792.4)</b>

**City of Matlosana**  
**Appendix E(2)**

June 2012

**Budget Analysis of Capital Expenditure as at 30 June  
 2011**

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
<b>Municipality</b>					
Land and Buildings : Buildings	471 878	3 461 325	2 989 447		<b>86</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Infrastructure : Electricity networks	46 113 375	66 594 598	20 481 223		<b>31</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Infrastructure : Roads and stormwater	21 970 899	80 784 855	58 813 956		<b>73</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Infrastructure : Water networks	17 179 993	25 062 988	7 882 995		<b>31</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Infrastructure : Sewerage networks	11 967 472	30 174 254	18 206 782		<b>60</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Infrastructure : Taxiways	51 990	60 000	8 010		<b>13</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Infrastructure : Security systems	216 146	404 440	188 294		<b>47</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Community assets : Buildings	5 994 238	7 427 308	1 433 070		<b>19</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Community assets : Parks and recreation	375 668	701 000	325 332		<b>46</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Heritage assets : Paintings	7 500	7 500	-		-
Other assets : Office equipment	768 554	3 190 299	2 421 745		<b>76</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Other assets : Furniture	399 347	2 478 590	2 079 243		<b>84</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Other assets : Containers	-	-	-		-
Other assets : Emergency equipment	-	-	-		-
Other assets : Vehicles	751 265	1 560 000	808 735		<b>52</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Other assets : Watercraft	-	-	-		-
Other assets : Plant and equipment	7 062 478	11 686 539	4 624 061		<b>40</b> Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects
Security systems	-	-	-		-
Community assets	-	-	-		-
	<b>113 330 803</b>	<b>233 593 696</b>	<b>120 262 893</b>	<b>51</b>	
Municipal Owned Entities	-	-	-	-	
Other charges	-	-	-	-	

**City of Matlosana**

**Appendix F**

**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**

June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
MIG	National Treasury	26 894	38 049	35 666	-	11 929	14 510	10 380	13 327		Yes	
Nersa	National Treasury	-	-	-	-	-	-	-	-		Yes	
FMG	National Treasury	1 250	-	-	-	286	279	263	1 011		Yes	
DWAF	National Treasury	-	-	-	-	-	-	-	-		Yes	
MSIG	National Treasury	790	-	-	-	27	107	271	76		Yes	
EPWP	National Treasury	-	861	-	874	-	-	-	-		Yes	
Fire	Provincial Treasury	-	1 200	-	-	-	27	27	751		Yes	
Library	Provincial Treasury	-	400	-	-	41	23	-	287		Yes	
DME	National Treasury	3 735	2 492	2 492	-	-	258	-	-			
		32 669	43 002	38 158	874	12 283	15 204	10 941	15 452			

The amounts above are in R '000